

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

United States of America,)
) File No. 16CR334
) (JNE/KMM) (2)
Plaintiff,)
)
vs.) Minneapolis, Minnesota
) March 6, 2017
John L. Steele,) Courtroom 12W
) 9:37 a.m.
Defendant.)
)

BEFORE THE HONORABLE JOAN N. ERICKSEN
UNITED STATES DISTRICT COURT JUDGE
(CHANGE OF PLEA)

APPEARANCES

For the Plaintiff: Assistant U.S. Attorney
BENJAMIN F. LANGNER, AUSA
DAVID J. MACLAUGHLIN, AUSA
300 South Fourth Street
Suite 600
Minneapolis, Minnesota 55415

For the Defendant: Wold Morrison Law
PETER B. WOLD, ESQ.
247 Third Avenue South
Minneapolis, MN 55415-1003

Law Offices of Mark Eiglarsh
MARK EIGLARSH, ESQ.
4770 Biscayne Boulevard
Suite 610
Miami, FL 33137

Court Reporter: MARIA V. WEINBECK, RMR-FCRR
1005 U.S. Courthouse
300 South Fourth Street
Minneapolis, Minnesota 55415

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P R O C E E D I N G S

I N O P E N C O U R T

THE COURT: Good morning. Please be seated.
Could we have appearances for the record, please? We'll start with the government.

MR. LANGNER: Good morning, Your Honor. Ben Langner, Brian Levine and David MacLaughlin on behalf of the United States.

MR. MACLAUGHLIN: Good morning, Your Honor.

THE COURT: Good morning.

MR. LEVINE: Good morning, Your Honor.

MR. EIGLARSH: Good morning, Your Honor.

THE COURT: Just a second, I'm not quite ready for you. Mr. Langner, I understand Mr. Levine is not yet admitted.

MR. LANGNER: That's correct, Your Honor. We're working on getting him admitted at this time.

THE COURT: So my question is is he with the California Highway Patrol? Because it says here he's with CHIPS.

(Laughter.)

MR. LANGNER: He's with DOJ CCIPs, the Computer Crime and Intellectual Property Section, which is I think slightly different.

THE COURT: Oh, ha ha. All right. Now, whoever

1 you are, go ahead and introduce yourself.

2 MR. EIGLARSH: Good morning, Your Honor. Mark
3 Eiglarsh on behalf of Mr. Steele, who is present in court.

4 THE COURT: E-I-G-L-A-R-S-H, is that right?

5 MR. EIGLARSH: Yes.

6 THE COURT: Mr. Steele, I presume?

7 THE DEFENDANT: Yes, Your Honor.

8 THE COURT: And who are you, stranger?

9 MR. WOLD: Good morning, Your Honor. Peter Wold
10 appearing as local counsel for Mr. Steele and Mr. Eiglarsh.

11 THE COURT: Okay. And, Mr. Eiglarsh, you are
12 from -- are you admitted to Minnesota?

13 MR. EIGLARSH: I am not, Your Honor.

14 THE COURT: Okay. What state are you?

15 MR. EIGLARSH: Florida.

16 THE COURT: Okay.

17 MR. EIGLARSH: From South Florida.

18 THE COURT: Do you have a -- well, anyway, that's
19 fine. Welcome.

20 MR. EIGLARSH: Thank you, Your Honor.

21 THE COURT: I understand and, Mr. Steele, you can
22 go ahead and be seated for the moment, but you'll probably
23 have to stand up in just a second.

24 I understand, Mr. Eiglarsh, that Mr. Steele is
25 going to be entering a change of plea this morning, is that

1 true?

2 MR. EIGLARSH: That's correct, Your Honor.

3 THE COURT: All right. Mr. Steele, come on up to
4 the podium with your lawyer. And, Mr. Langner, you're
5 obviously welcome to join the party.

6 Mr. Steele, let me explain how the process works.
7 I have a plea agreement here. And so the first thing I want
8 to do is make sure that the document that I have is the same
9 document that you have reviewed, that you understand
10 everything that's in it, and that it in fact represents the
11 agreement that you and the government have made with respect
12 to resolving the issues and resolving the case against you.

13 I need to get some background information
14 sufficient to be satisfied that you're able to make a
15 knowing and intelligent and voluntary plea. And the reason
16 for that is that the change of plea is a very important and
17 irrevocable decision, so at any point during the hearing if
18 you change your mind, that's perfectly fine, but if we get
19 to the end and you change your plea from not guilty to
20 guilty, you can't ever come back and withdraw that or change
21 your mind. So it's important that any questions that you
22 have we get resolved, and that you don't plead guilty unless
23 you want to, so that's part of the reason we do that.

24 I also will make sure that you understand the
25 rights that you give up by pleading guilty, not because I am

1 not confident that your lawyers have already explained them
2 and that you understand them from your own background, but I
3 want to give you another chance to hear them from me, think
4 about them here in court, and, again, ask any questions that
5 you might have.

6 THE DEFENDANT: Thank you, Your Honor.

7 THE COURT: I also need to know what you did that
8 makes you guilty of the offense because I don't take a
9 guilty plea from someone who is not actually guilty. Your
10 answers have to be under oath. That means that if you make
11 a false statement, you could be prosecuted for perjury or
12 false statement. Do you understand that?

13 THE DEFENDANT: Yes, Your Honor.

14 THE COURT: Okay. Raise your right hand, please.

15 (Defendant sworn.)

16 BY THE COURT:

17 Q. Now, do you have the plea agreement in front of you,
18 Mr. Steele?

19 A. I do.

20 Q. And have you and Mr. Eiglarsh gone through that in great
21 detail?

22 A. Yes, Your Honor.

23 Q. And have there, Mr. Langner, been any changes since the
24 plea agreement was sent up to chambers?

25 MR. LANGNER: No, Your Honor.

1 BY THE COURT:

2 Q. Okay. It's a 26-page document. And let me ask if
3 you've gone through every line and every page with your
4 lawyer?

5 A. Yes, Your Honor.

6 Q. And you understand that it contemplates a plea to
7 Count 1 of the indictment, which is a charge of conspiracy
8 to commit mail fraud and wire fraud, in violation of federal
9 law; and also Count 17, which charges conspiracy to commit
10 money laundering, again, in violation of federal law.

11 And then if at the time of sentencing you have
12 complied with these terms, then the government will move to
13 dismiss any remaining counts.

14 A. Yes, Your Honor.

15 Q. And the way it works is if they move to dismiss those
16 counts, that motion will be granted.

17 A. Yes, Your Honor.

18 Q. All right. Now, there are penalties set forth in
19 federal law, and they are also in the plea agreement.
20 Seventeen pages of facts here. All right. That first count
21 that we talked about is punishable by up to 20 years in
22 prison. Do you understand that?

23 A. Yes, Your Honor.

24 Q. And also a criminal fine that could be \$250,000 or twice
25 the gross gain or loss, whichever is the larger number; do

1 you understand?

2 A. Yes, Your Honor.

3 Q. And then it carries a supervised release of up to five
4 years. Supervised release is a period of time during which
5 a person is under court-ordered supervision. And if they
6 violate any terms of supervised release, they can be sent
7 back to prison for an additional period of time. And this
8 is a little different from what the systems are in those
9 states.

10 And in particular, let's say that a person commits
11 a crime that has a five year statutory maximum. I know
12 your's is 20, but we're just having a hypothetical person.
13 So the person gets the full five years in prison. They
14 serve their five years. They get out. They're on
15 supervised release for four years. They're perfectly fine
16 on supervised release for three and a half years and then
17 they violate. Well, you would think they can only be facing
18 half a year, but the way it works they could get a full four
19 years in prison even though they've already done five.
20 Anyway I'm sure your lawyer explained that to you, but --

21 A. Yes, Your Honor.

22 Q. I find it comes as a surprise to anybody who comes from
23 the state court system. Anyway, every felony count of
24 conviction carries a \$100 special assessment, and Count 1
25 also carries the possibility that you would be charged the

1 costs of prosecution.

2 And then Count 17 also has a maximum term of
3 imprisonment of 20 years. It has a criminal fine of up to
4 \$500,000 or twice the gross gain or loss, whichever is
5 greater. It also carries a supervised release term of up to
6 five years, and a special assessment of \$100, which is due
7 and payable to the Clerk of Court prior to sentencing.
8 Those hundred dollar payments go to the Crime Victims Fund
9 and also the costs of prosecution. Any questions about
10 that?

11 A. No, Your Honor.

12 Q. Separate from the statutory penalties, there are
13 sentencing guidelines. The sentencing guidelines are one of
14 the factors that the Court takes into consideration in
15 determining what your actual sentence will be. There is a
16 guideline manual, and there are a lot of factors that go
17 into determining what the range is. And perhaps you and
18 your lawyer have looked at that chart, and sometimes it's on
19 the back cover of the book, and sometimes they look at --
20 you might look at one in a different form. But you know
21 there's a vertical axis and a horizontal axis, the
22 horizontal has to do with criminal history. The vertical is
23 the offense conduct, and there are a lot of things that go
24 into that.

25 And the plea agreement here contains some

1 agreements and stipulations as between you and the
2 government about what the guidelines are likely to be. But
3 what I want to emphasize is that the Court is not bound by
4 parties' predictions or arguments about what the guidelines
5 are. You can bind yourselves about what arguments you're
6 going to make, but the Court is not a signatory to the plea
7 agreement and is bound by law to make an accurate
8 determination to sentencing guidelines. And then once that
9 guideline range is located, then it's up to the Court to
10 sentence you within the guideline range or above it or below
11 it.

12 A. I understand, Your Honor.

13 Q. All right. And you've gone through all of this. Let me
14 just think of an easy way to summarize it. We've got an
15 agreement as between you that the loss amount is between
16 \$1,500,000 and \$3,500,000. So that's a base offense level
17 of 16. There's a number of victims adjustment, which is ten
18 or more, so that increases by two. Then the offense
19 involved a use of a sophisticated means. I'm on page 20,
20 which adds another two.

21 You were an organizer, leader, manager or
22 supervisor. That would increase by two. If there was abuse
23 of trust, which the agreement stipulates that there was,
24 that's an increase of two. There's an increase of two for
25 obstruction of justice. And then here on page 21, that

1 paragraph 4, that's -- what would you call it, Mr. Langner,
2 grouping?

3 MR. LANGNER: Correct, Your Honor.

4 THE COURT:

5 Q. So, Mr. Steele, you understand that you got guidelines
6 for Count 1, guidelines for Count 17, and this paragraph 4
7 discusses how those work together?

8 A. Yes, Your Honor.

9 Q. And with respect to numbers, those are all numbers going
10 up. Now, we've got numbers coming down, and that would be
11 acceptance of responsibility as set forth there in
12 paragraph 5. Your criminal history will be whatever it is.
13 At the moment it looks like you and the government predict
14 that your criminal history score is likely to be a 1.

15 By the time I get the presentence investigation
16 report, I'll know what it actually is, and I mean that's
17 another great example of how the Court is not bound.
18 Sometimes we'll have a plea agreement that says the
19 defendant is a criminal history category 3. The confusion
20 doesn't usually come when there's a category 1, but it
21 could.

22 But, you know, like defendant pleads guilty,
23 assuming that he's going to be a category 3, well, then the
24 Probation Department finds out he's got a robbery conviction
25 from Louisiana or something and that bumps it up. So it is

1 whatever it turns out to be.

2 If the adjusted offense level is 30, and the
3 criminal history category is 1, the guideline range is 97 to
4 121 months in prison. The fine range would be 30,000 to
5 300,000. The supervised release guideline range would be
6 between two and five years, and you and the government
7 reserve the right to make motions for departures or
8 variances from whatever the applicable guideline is. Have I
9 got that right? Are you understanding?

10 A. Yes, Your Honor, I understand.

11 Q. Okay. Special assessments. You know about the
12 restitution, cooperation, waiver of appeal.

13 I talked about how if you plead guilty you can't
14 ever withdraw your plea. You can't -- you also can't appeal
15 your guilt to a higher court or any of the legal issues in
16 your case to a higher court, but sentencing is a different
17 matter. Pursuant to this agreement, you give up your right
18 to appeal your sentence also unless it's longer than five
19 years. Well, 60 months, that's five years; right?

20 A. I understand, Your Honor.

21 Q. And there's an express waiver of the right to petition
22 under 2255 except for a post-conviction attack based on a
23 claim of ineffective assistance of counsel, and that's
24 always in there because that's not waivable so --

25 You've discussed your rights with your attorney,

1 and you want to proceed?

2 A. Yes, Your Honor.

3 Q. Okay. Have you signed the plea agreement?

4 A. Yes, Your Honor.

5 Q. All right. If it's been fully executed, I'll receive
6 the document. And that's your signature John L. Steele?

7 A. Yes, Your Honor.

8 Q. And it's dated today, which is March 6th. All right.
9 Let's find out about you. How old are you, Mr. Steele?

10 A. I'm 46, Your Honor.

11 Q. Okay. You graduated from high school, yes?

12 A. Yes, Your Honor.

13 Q. College?

14 A. Yes, Your Honor.

15 Q. What did you major in in college?

16 A. History.

17 Q. And then after college?

18 A. I went to law school, University of Minnesota.

19 Q. Did you graduate?

20 A. Yes, Your Honor.

21 Q. And do you have any other post-college education?

22 A. No, I took a few classes in graduate school for history.
23 That's all.

24 Q. I mean not that law school is not enough. For most
25 people, it's more than enough.

1 You speak English, obviously?

2 A. Yes, Your Honor.

3 Q. We don't have to get an interpreter or anything. Have
4 you had enough time to talk with your lawyers, and you're
5 satisfied that they've done a good job of representing you?

6 A. Yes, Your Honor.

7 Q. And that if you wanted to go to trial, they'd be willing
8 to take it to trial. They're not giving you the bum's rush
9 to try to make you plead guilty?

10 A. No, Your Honor.

11 Q. Has anybody threatened you in any way or put any
12 pressure on you to try to get you to plead guilty?

13 A. No.

14 Q. Made you any promises other than what's contained in the
15 plea agreement?

16 A. No.

17 Q. Have you had any drugs or alcohol in the last 24 hours?

18 A. No, Your Honor.

19 Q. Are you addicted to narcotics?

20 A. No.

21 Q. Do you take any medications prescribed by a doctor?

22 A. No, Your Honor.

23 Q. Have you recently?

24 A. No.

25 Q. Do you see a physician for any ongoing health problems?

1 A. No, Your Honor.

2 Q. What about a psychiatrist or psychologist?

3 A. No.

4 Q. So is there anything in your mind that interferes with
5 your ability to understand what's going on in court and to
6 proceed?

7 A. No, Your Honor.

8 Q. All right. Let me talk to you about the rights that you
9 give up by pleading guilty. Obviously, you give up your
10 right to go to trial. And trial would have to take place in
11 the reasonably near future because you have a right to a
12 speedy trial. There would be a jury, 12 people on the jury,
13 and you and your lawyer would participate in the selection
14 of those jurors. You understand that, right?

15 A. Yes, Your Honor.

16 Q. The jury's verdict would have to be unanimous. You
17 couldn't be found guilty unless all 12 jurors agreed that
18 you were guilty. And those jurors, each one of them, has to
19 find you guilty by proof beyond a reasonable doubt, which is
20 more than a civil standard. It's the highest standard of
21 proof in our system of justice; do you understand that?

22 A. Yes, Your Honor.

23 Q. The way the government tries to meet that burden is they
24 call witnesses and present evidence. That's all done right
25 in open court right in front of you, and you have an

1 opportunity to object to any evidence that they present and
2 also to cross-examine any witnesses that they call against
3 you because you have the constitutional right of
4 confrontation. You understand that as well, right?

5 A. Yes, Your Honor.

6 Q. The jury, of course, presumes you to be not guilty and
7 that presumption of innocence stays with you throughout the
8 trial, and it is reason enough to acquit you unless the
9 government meets that burden that we have to discussed.

10 You have a right to call witnesses and present a
11 case, if you want to. You don't have to. If you wish to
12 call witnesses, and they either can't or won't voluntarily
13 come to Court, I would make sure that you got a Court Order
14 compelling them to show up because you've got the right to
15 the subpoena power of the Court. Do you understand that?

16 A. Yes, Your Honor.

17 Q. Regardless of whether you called any other witnesses,
18 you would have the right to testify in your own behalf if
19 you so chose. You also would not have to. Even if you
20 called other witnesses or regardless of whether you called
21 other witnesses, you could remain silent at your trial. And
22 if you did not testify, no one would comment on your silence
23 in the presence of the jury, and the jury wouldn't be
24 permitted to hold it against you in any way. And in my
25 experience, they take that obligation very seriously.

1 Anyway, you understand you have that right?

2 A. Yes, Your Honor.

3 Q. You also have a right to make pretrial motions or also
4 if there's a trial, you could make motions at that time, and
5 that would be your opportunity to challenge the legality or
6 the constitutionality of any actions taken by the government
7 in connection with the investigation of the case against you
8 or the prosecution of you or anything. If you plead guilty,
9 you give up any of those rights.

10 A. Yes, Your Honor.

11 Q. Along with the right, obviously, to appeal any decision
12 that would have been made because if there's no decision,
13 there's nothing to appeal.

14 Any time you are in court, you have a right to be
15 represented by a lawyer. And if you can't afford a lawyer,
16 one will be appointed to represent you at no cost, but you
17 never have to face the Court or the jury without the
18 assistance of your lawyer. Do you understand that?

19 A. Yes, Your Honor.

20 Q. Now, let me just ask the lawyers, all the lawyers except
21 for you, whether there's anything on the rights that I've
22 missed?

23 MR. LANGNER: I'm sorry, what was the question,
24 Your Honor?

25 THE COURT: Anything on the rights?

1 MR. LANGNER: No, I think you've covered
2 everything.

3 THE COURT: Okay. Mr. Eiglarsh?

4 MR. EIGLARSH: You've covered everything, Your
5 Honor.

6 THE COURT: So the last thing is I need to know
7 what makes you guilty of this offense. And I don't know how
8 they do it in Florida, usually we ask the prosecutor to go
9 through the factual basis.

10 MR. EIGLARSH: That's fine.

11 THE COURT: Mr. Langner?

12 BY MR. LANGNER:

13 Q. Mr. Steele, I'm going to ask you some questions about
14 some of the facts in this case. Okay?

15 A. Yes.

16 Q. First of all, there's a factual basis in this plea
17 agreement that stretches from right at the beginning, right
18 at the end of page one all the way through page 19, do you
19 see that?

20 A. Yes.

21 Q. And you've had an opportunity to review that factual
22 basis, correct?

23 A. Yes.

24 Q. You've had plenty of time to look at that, go through it
25 with your attorney?

1 A. Yes.

2 Q. And everything in there is true to the best of your
3 knowledge; is that right?

4 A. Yes.

5 Q. You may -- some of the facts that are in there, in fact
6 many of the facts you have direct knowledge of, correct?

7 A. That's correct.

8 Q. And there are some facts where you weren't the one who
9 did something, but you knew that it was going on at the
10 time, correct?

11 A. Yes, that's correct.

12 Q. And there are some facts that you may not have known
13 about, but you now know that the government has sufficient
14 evidence to prove those things, correct?

15 A. Yes.

16 Q. But all of this to the best of your knowledge as you
17 stand here today is true and accurate, correct?

18 A. Yes.

19 Q. I'm going to go through some of the -- I'm not going to
20 go through every detail in this factual basis, but I'm going
21 to cover a few of the highlights.

22 First of all, beginning in about September of
23 2010, is it true that you and an individual named Paul
24 Hansmeier began operating a law firm named Steele Hansmeier,
25 PLLC?

1 A. Yes.

2 Q. And through that law firm, you began representing
3 individuals and entities that owned copyright to
4 pornographic movies, correct?

5 A. Yes.

6 Q. And you and certain people that worked for you monitored
7 file sharing websites and obtained IP addresses of
8 individuals who downloaded or attempted to download your
9 clients' movies, correct?

10 A. Yes.

11 Q. And then you would file lawsuits against those
12 individuals in an attempt to obtain their identities and
13 then obtain settlements from them, correct?

14 A. Yes.

15 Q. And is it true that beginning in about April of 2011,
16 you and Mr. Hansmeier began uploading your clients'
17 pornographic movies to BitTorrent file sharing websites,
18 including a website named the Pirate Bay?

19 A. Yes.

20 Q. Now, you weren't the one that actually did the uploading
21 in this case, correct?

22 A. No.

23 Q. But you knew that it was going on at least not too long
24 after it began, correct?

25 A. Yes.

1 Q. And you did this without obtaining your clients'
2 consent, and you did it in order to entice people to
3 download the movies so that you could catch them and then
4 threaten to sue them, correct?

5 A. Yes.

6 THE COURT: Hold on a second. What clients'
7 consents?

8 MR. LANGNER: Without the clients that own the
9 copyright to the movies.

10 THE COURT: Oh, I thought you said "your clients."

11 MR. LANGNER: Yeah, their clients. They
12 represented individuals who own the copyrights to
13 pornographic movies, and they would upload those movies onto
14 file sharing websites without asking the clients whether
15 they can do it or not.

16 THE COURT: Okay, thank you.

17 BY MR. LANGNER:

18 Q. And you knew those bit torn websites where you were
19 uploading the movies were specifically designed to aid
20 copyright infringement by allowing people to share files
21 including movies, correct?

22 A. Yes.

23 Q. And by doing that, you knowingly caused your clients'
24 movies to be shared and distributed on those websites and
25 thereby purposely allowed and authorized the BitTorrent

1 users to obtain your clients' movies, correct?

2 A. Yes.

3 Q. Afterwards or after doing that, you and Mr. Hansmeier
4 caused lawsuits to be filed throughout the country
5 disingenuously alleging that individuals who purportedly
6 downloaded the movies did so without authorization or
7 consent from the copyright holders, correct?

8 A. Yes.

9 Q. And as an example, two of the movies that you uploaded
10 you obtained from a client, and their names were "Sexual
11 Obsession" and "Popular Demand," correct?

12 A. Yes.

13 Q. And those two movies in particular you filed
14 approximately 200 fraudulent copyright infringement lawsuits
15 throughout the country seeking subscriber information
16 associated with more than 3,000 IP addresses based on the
17 allegation that people had downloaded those movies, when in
18 fact you were the ones who had actually uploaded those onto
19 the website, correct?

20 A. Yes.

21 Q. After filing each of these lawsuits, you filed or caused
22 to be filed ex parte motions for early discovery that failed
23 to disclose your involvement in uploading the copyrighted
24 movies, correct?

25 A. Yes.

1 Q. And courts throughout the country were relying on those
2 false and misleading representations, gave you early
3 discovery, and thereby authorized you to subpoena internet
4 service providers to get the subscriber information
5 associated with those IP addresses, correct?

6 A. Yes.

7 Q. After obtaining the subscriber information, you or
8 Mr. Hansmeier or people employed by you would call people
9 and attempt to extract settlements from them, correct?

10 A. Yes.

11 Q. And you never informed those people that you in fact
12 were the ones who had uploaded those movies onto the
13 websites, correct?

14 A. No, that's correct.

15 Q. And by lying to courts and misleading courts in order to
16 obtain that subscriber information and then deceiving the
17 subscribers, you obtained a number of settlements over the
18 years from these people, correct?

19 A. Yes.

20 Q. And those settlements were generally in the range of a
21 few thousand dollars; although, they varied depending on
22 people's circumstances, correct?

23 A. Correct.

24 Q. And is it true that in or about November of 2011, at
25 least in part in order to distance yourselves from these

1 copyright infringement lawsuits that you were filing, you
2 caused Prenda Law to be created?

3 A. Yes.

4 Q. And there was an attorney in Chicago whose initials are
5 P.D. that was at least nominally the owner of that law firm,
6 correct?

7 A. Yes, it was.

8 Q. And at least at times, you exerted de facto control over
9 that law firm including the primary direction of its
10 employees and the dispensation of its finances, correct?

11 A. Yes.

12 Q. And despite controlling Prenda Law, and at various times
13 filing appearances for or in connection with Prenda Law, you
14 and Mr. Hansmeier on multiple occasions falsely denied to
15 various courts any direct involvement or control over that
16 law firm, correct?

17 A. Yes, that's correct.

18 Q. Is it also true that beginning in or about 2011, you
19 created or employed various sham entities including AF
20 Holdings, Ingenuity 13, Guava, LLC, and Livewire Holdings,
21 and LW Systems, in order to shield what was going on?

22 A. Yes, that's correct.

23 Q. AF Holdings, in particular, you used to house the two
24 movies that I mentioned earlier, "Sexual Obsession" and
25 "Popular Demand," correct?

1 A. Yes.

2 Q. And each of these entities, you at times would get other
3 people to sign on behalf of that entity, including two
4 individuals, one named M.L., and another named A.C., in
5 order to shield your ownership or control over those
6 entities?

7 A. Yes.

8 Q. I'm going to skip ahead now to the next section.

9 Is it true that beginning no later than in or
10 about May of 2012, you and Mr. Hansmeier filmed and caused
11 to be filmed pornographic movies in order to further your
12 scheme?

13 A. Yes.

14 Q. On at least three occasions in Chicago, Miami, and Las
15 Vegas, you and Mr. Hansmeier at times assisted by other
16 people who were working with you contracted with adult film
17 actresses and produced multiple short pornographic films?

18 A. Yes.

19 Q. Afterwards, you and Mr. Hansmeier caused a company that
20 you owned, Ingenuity 13, to obtain copyrights to those
21 movies?

22 A. Yes, that's correct.

23 Q. Those movies bore names such as "Five Fan Favorites" and
24 "A Peek Behind The Scenes of The Show," among others?

25 A. Yes.

1 Q. And you and Mr. Hansmeier made no legitimate effort to
2 publicly distribute or commercially release these movies,
3 instead you instructed an individual that worked for
4 Mr. Hansmeier to upload those movies onto file sharing
5 websites, so that you could catch and then later threaten to
6 sue people who attempted to download them?

7 A. Yes.

8 Q. And when you did catch people that downloaded those
9 movies, you caused fraudulent and misleading lawsuits to be
10 filed throughout the country, which alleged that they had
11 downloaded these movies without the copyright owner's
12 consent, correct?

13 A. Yes.

14 Q. And is it also true that beginning in or about October
15 of 2012, after courts had begun limiting the discovery that
16 you could obtain, that you and Mr. Hansmeier caused lawsuits
17 to be filed generally on behalf of the company Guava LLC,
18 that falsely alleged that your clients' computer systems had
19 been hacked, correct?

20 A. Yes.

21 Q. And essentially there was no hacking, nobody broke into
22 their computer systems, and those lawsuits were based
23 largely or if not entirely on lies, correct?

24 A. Yes, that's my understanding, yes.

25 Q. You weren't the one who was specifically making those

1 allegations, but you knew that that was going on, correct?

2 A. Yes.

3 Q. In fact, to your knowledge, Guava had no computer
4 systems. It was a sham entity that you had created in order
5 to further the scheme, correct?

6 A. Yes, yes.

7 Q. And in order to make those lawsuits go smoothly, you and
8 Mr. Hansmeier also recruited one or more individuals to be
9 ruse defendants, and these were individuals who had been
10 caught downloading one of your movies from a file sharing
11 website who had agreed that in exchange for you not charging
12 them with a settlement payment, they would be sued and allow
13 discovery to proceed, correct?

14 A. Yes.

15 Q. But as you and Mr. Hansmeier knew, these people had not
16 participated in any hacking activity. They had simply
17 downloaded one of the movies that you controlled, correct?

18 A. Yes.

19 Q. Is it true that in or about early 2013, courts began
20 scrutinizing your litigation tactics?

21 A. Yes.

22 Q. And upon recovering certain of the facts that we've gone
23 through today, courts began denying your request to subpoena
24 internet service providers and dismissing your lawsuits?

25 A. Yes.

1 Q. They also began accusing you of engaging in deceptive
2 and fraudulent behavior, correct?

3 A. Yes.

4 Q. In particular, Judge Wright from the District Court in
5 the Central District of California, issued an order in May
6 of 2013 that imposed sanctions against you, correct?

7 A. Yes.

8 Q. And in order to evade detection and to cover up what you
9 had done from that point even before that and stretching
10 after that, you lied to courts throughout the country, both
11 you directly as well as causing other people to lie in your
12 behalf in order to help cover up what had been done?

13 A. Yes.

14 Q. And there's a list of specific instances where somebody
15 either filed a declaration with the Court under oath or
16 testified under oath in a false or misleading manner at your
17 direction or at least with your knowledge, correct?

18 A. Yes.

19 Q. And to the best of your knowledge, each of those that
20 are in subparagraphs A through J -- I'm sorry, no, L -- no,
21 I'm sorry, N on page 18 each described one of those
22 instances in a true and accurate way, correct?

23 A. Yes.

24 Q. Is it true that in total between 2010 and 2014, you and
25 Mr. Hansmeier and your entities received more than six

1 million dollars in copyright infringement settlement
2 payments?

3 A. To the best of my understanding, yes.

4 Q. And you caused losses to individuals based on the
5 conduct we've described totaling at least approximately
6 three million dollars?

7 A. Yes.

8 Q. Is it also true that in or about 2012, you created a
9 company named Under The Bridge Consulting that you intended
10 to and did use to collect consulting fees after transferring
11 the operations of Steele Hansmeier PLLC to the individual
12 P.D., who controlled Prenda Law?

13 A. Yes.

14 Q. Is it true that you and Mr. Hansmeier thereafter
15 transferred approximately one million dollars of the
16 proceeds of this scheme to Under The Bridge Consulting and
17 distributed those monies to yourselves?

18 A. Yes.

19 Q. And did you do that, your use of Under The Bridge
20 Consulting was designed at least in part to conceal or
21 disguise the nature, source, ownership and control of the
22 proceeds of the scheme?

23 A. Yes.

24 MR. LANGNER: Your Honor, that's all the questions
25 that I have for Mr. Steele.

1 THE COURT: Mr. Eiglarsh, do you have any other
2 questions?

3 MR. EIGLARSH: No, he was extremely thorough.

4 THE COURT: And, Mr. Steele, anything you want to
5 clarify in there?

6 THE DEFENDANT: No, Your Honor.

7 THE COURT: Okay. Did anyone force you to commit
8 the crime?

9 THE DEFENDANT: No.

10 THE COURT: And you knew it was against the law
11 when you were doing it?

12 THE DEFENDANT: Yes.

13 THE COURT: Did some part of the scheme take place
14 in the State and District of Minnesota?

15 THE DEFENDANT: Yes.

16 THE COURT: Is this where you were headquartered
17 or were most of your activities in --

18 THE DEFENDANT: The activities described here
19 occurred in Minnesota.

20 THE COURT: Okay.

21 THE DEFENDANT: I was aware of them. I mean,
22 obviously, I wasn't here in Minnesota.

23 MR. LANGNER: Is it true, Mr. Steele, that
24 Mr. Hansmeier had an office here in Minnesota?

25 THE DEFENDANT: Yes.

1 MR. LANGNER: And he operated, most of the
2 activities that he did took place in Minnesota here?

3 THE DEFENDANT: Yes.

4 THE COURT: Okay. Well, that seems to take care
5 of the venue question. Very well. Then I will formally ask
6 you how you plead.

7 First of all, is your full and correct name John
8 L. Steele, S-T-E-L-E.

9 THE DEFENDANT: S-T-E-E-L-E, yes.

10 THE COURT: S-T-E-E-L-E, thank you.

11 How do you plead to Count 1 of the indictment on
12 file against you charging you with conspiracy to commit mail
13 fraud and wire fraud in violation of Title 18, United States
14 Code Section 1349, guilty or not guilty?

15 THE DEFENDANT: Guilty, Your Honor.

16 THE COURT: How do you plead to Count 17 of the
17 indictment on file against you charging you with conspiracy
18 to commit money laundering in violation of Title 18, United
19 States Code Section 1956H, guilty or not guilty?

20 THE DEFENDANT: Guilty, Your Honor.

21 THE COURT: All right. I'm satisfied that you're
22 guilty of the offense and that you know what you're doing
23 here today, so I accept your plea.

24 Now, the Probation Department will prepare a
25 presentence investigation report. You should cooperate with

1 them as they do that. Also, read through it when it's all
2 done, make sure there aren't any mistakes in it, and then
3 we'll see you back here at the time of sentencing.

4 MR. LANGNER: Your Honor, if I might, the plea
5 agreement contains a cooperation provision, and we
6 anticipate that Mr. Steele will provide truthful information
7 and truthful testimony against Mr. Hansmeier if called to
8 testify. We may ask that the PSR or his sentencing be
9 delayed until the resolution of Mr. Hansmeier's case so that
10 we can best judge his cooperation, if that's okay with the
11 Court.

12 THE COURT: I was about to set Friday, July 7th,
13 as the sentencing date, but I'm not even going to bother
14 doing that under these circumstances.

15 MR. LANGNER: I would suggest that we can
16 communicate to the Court when it -- obviously, when
17 Mr. Hansmeier, when that case is resolved, then we can start
18 the process, and we can communicate with the Court when
19 we're ready to move forward.

20 THE COURT: Thank you. Did you see my mouth open?
21 I was ready to set the sentencing date. You jumped in just
22 in the nick of time.

23 Let's see here. What about release? It looks
24 like you're not in Sherburne. You're not wearing orange.

25 THE DEFENDANT: No, Your Honor.

1 THE COURT: Okay. No issues with him on release,
2 have there been?

3 PROBATION OFFICER: Nothing additional to the
4 report that you're reviewing, Your Honor.

5 THE COURT: Okay. And that's the travel order
6 that I signed on February 27th?

7 PROBATION OFFICER: That's correct.

8 THE COURT: All right. Mr. Steele, you will
9 remain at liberty on the same terms and conditions as you
10 have been up to today's date.

11 THE DEFENDANT: Thank you, Your Honor.

12 THE COURT: All right. Anything else?

13 MR. LANGNER: No, Your Honor.

14 MR. EIGLARSH: No, Your Honor.

15 THE COURT: Thank you very much. We're in recess.

16 (Court adjourned at 10:13 a.m.)

17 * * *

18

19 I, Maria V. Weinbeck, certify that the foregoing is
20 a correct transcript from the record of proceedings in the
21 above-entitled matter.

22 Certified by: s/ Maria V. Weinbeck

23 Maria V. Weinbeck, RMR-FCRR

24

25